

Workers' Compensation Advisory Committee (WCAC)
Special Meeting on Proposed 2004 Rates
Meeting Minutes
August 12, 2003

INTRODUCTIONS:

PRESENT:

COMMITTEE MEMBERS PRESENT:

Business Representatives: Amber Balch, Association of Washington Business; Mike Sotelo, W.G. Clark Construction, Inc.; Dan Fazio, Washington State Farm Bureau for Jon Warling, Mar-Jon Orchards

Labor Representatives: Robby Stern, Washington State Labor Council, AFL-CIO; Owen Linch, Joint Council of Teamsters

Self-Insured Employer's Representative: Lori Carlson, Sellen Construction Company, Washington Self-Insurance Association

Self-Insured Worker's Representative: Ellie Menzies, Service Employees State Council

Ex Officio Member: Tom Egan, Board of Industrial Insurance Appeals (BIIA)

Chair: Robert Malooly, Chair; Director Paul Trause

Recorder: Bev Gunther

COMMITTEE MEMBERS NOT PRESENT: Jon Warling, Mar-Jon Orchards;
Roger Boatwright, WA State Building & Construction Trades Council

PRESENTERS: Bill Vasek

GUESTS: Sara Crumb, WSTLA; Jill Reinmuth, House C&L Committee; Mark Johnson, NFIB; Jan Gee, G&G Public Affairs; Dave Kaplan, WSIA; Cody Benson, AWB; Deborah Feinstein, OFM; Richard Weeks, ICM; Kelli Zimmerman, Ern; Bill Pickell, WCLA; Tom Kwieciak, BIAW; Michale Temple, WSTLA

L&I STAFF: Jody Moran, George Pickett, Ernie LaPalm, Peter Lichtblau, RT Nelson, Tom Hess, Suzanne Mager, Mark Mercier, Nichole Runnels

Robert Malooly began the meeting by indicating that the overall rate level analysis was based on preliminary financial information that was therefore subject to change at a later time as more information became available.

Presentation on the Overall Rate Level Analysis for proposed 2004 rates – Bill Vasek, FCAS.

Bill presented the department's preliminary actuarial analysis on the estimated 2004 premium levels, which lead to break-even income. The state fund breaks even when the annual revenues (premiums plus investments) match the expenses (benefits plus administrative expenses). These average rate levels by fund, prior to retro refunds, were as follows:

| | | |
|---------------------------|------------------|----------------|
| Accident Fund | \$0.286 per hour | 24.1% increase |
| Medical Aid Fund | \$0.209 per hour | 20.9% increase |
| Supplemental Pension Fund | \$0.074 per hour | 8.2% increase |
| OVERALL | \$0.569 per hour | 20.6% increase |

The actuarial historical trends and future assumptions of the major factors underlying the actuarial analysis were presented. A handout was provided.

Paul Trause identified the critical policy issues the WCAC needs to consider in advising the department at what level 2004 rates should be set:

- Set rates at break-even.
- Set rates at less than break-even.
- Set rates above break-even to where premium dollars match expenses, with any investment revenue going into the Contingency Reserve.
- Set rates above break-even to build the Contingency Reserve (currently at 4% of liabilities) up to 10% of liabilities.

Paul also shared the policy choices the department made to determine the proposed break-even rates that could be challenged:

- Future time-loss duration and long-term disability frequency.
- Medical inflation of 7%.
- Increase in pensions.

Discussion took place.

Business comments:

- Washington businesses expect the agency to streamline processes and demonstrate efficiencies in all aspects of the agency.
- The Contingency Reserve is a redundant reserve – questioned the decision that the Contingency Reserve should be at 10% of liabilities – asked for the history on that decision.
- Agree the department should be actuarially solvent.
- Concerned that the Contingency Reserve is being used for programs not related to workers' compensation.

Labor comments:

- Need to continue to pursue the 10% of liabilities for the Contingency Reserve.

Data/information requested by the committee:

- History/policy on Contingency Reserve level at 10% of liabilities.
- What is the proposed premium increase if we had a zero Contingency Reserve?
- What is the amount of interest paid on Retro refunds?
- Provide a comparison of the last seven-to-ten years of estimated premiums to actual premiums.
- What would be the administrative costs as a percentage of premiums?
- What conversion factor does the department use to convert payroll wages to hours worked?
- Updated exhibit "Change in Contingency Reserve, Historical Explanation."
- What are the projected savings from the passage of the Washington State's interagency prescription drug bill SB 6088 from the 2003 session?
- Address the WCAC's concern regarding accident and medical aid funds being used for programs other than workers' compensation programs.